

## Message Text

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PAGE 01 STATE 019943  
ORIGIN COME-00

INFO OCT-02 NEA-10 EB-08 ISO-00 STR-06 USIA-15 AGRE-00  
/040 R

DRAFTED BY COM/BED/CAGNE/JLILL:DJW  
APPROVED BY EB/OCA/CD:WERAU  
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COM/BED/CAGNE/RRUAN  
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COM/BED/OIM/CGENDREAU (DRAFT)  
STR/SO'LEARY (PHONE)  
STATE/EB/OCA  
STATE/NEA/IAI/JMCBRIDE  
STATE/NEA/RA/DTMORRISON

-----019350 260801Z /10

R 251749Z JAN 78  
FM SECSTATE WASHDC  
TO AMEMBASSY TEL AVIV

UNCLAS STATE 019943

E.O. 11652: N/A

TAGS: BEXP, AFSP, IS

SUBJECT: COUNTRY COMMERCIAL PROGRAM FOR ISRAEL - FY-1979  
GUIDANCE

REF: (A) TEL AVIV A-68 (1977); (B) STATE 44899; (C) STATE  
118

1. THE FOLLOWING ADDRESSES THE PRELIMINARY FY-1979 CCP  
CONVEYED BY REFAIR IN RESPONSE TO STATE 44899. IT IS  
PROVIDED AS GUIDANCE TO ASSIST IN FORMULATION OF THE  
MISSION'S DRAFT CONTRIBUTIONS FOR FY-1979 PURSUANT TO  
REFTEL (C).

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2. DEVELOPMENTS WHICH STRIKE US AS MOST SIGNIFICANT FOR  
THE INITIATIVE THRUST OF THE '79 PROGRAM ARE: (A) GOI'S  
NEW ECONOMIC POLICY AIMED AT INCREASING IMPORTS AND FURTHER  
STIMULATING EXPORTS; (B) ISRAEL'S ASSOCIATION AGREEMENT  
WITH THE EC AND ITS INCREASING EFFECT ON US COMPETITIVE-  
NESS; (C) ISRAEL'S ELIGIBILITY FOR THE US GENERALIZED

SYSTEM OF PREFERENCES AND THE RELATED US-ISRAEL UNDER-  
STANDING OF 1975 PROVIDING FOR GOI TARIFF REDUCTIONS ON US  
PRODUCTS MEETING CERTAIN CRITERIA; (D) THE RAPID GROWTH OF  
ISRAEL'S EXPORT SECTOR, THE EMPHASIS ON DEVELOPING SCIENCE-

BASED INDUSTRIES AND IMPLICATIONS OF THESE DEVELOPMENTS ON  
US EXPORTS; (E) LIKELIHOOD OF CONTINUED HIGH LEVEL OF US  
AID IN FY '79, AND (F) GOI'S NON-STIMULATIVE FY 79 BUDGET.  
THE TOTAL IMPACT OF THESE DEVELOPMENTS ON US TRADE WITH  
ISRAEL IS DIFFICULT TO PREDICT. IT ALREADY APPEARS,  
HOWEVER, THAT EC SHARE OF ISRAELI MARKET HAS BEEN RISING  
SINCE 1975 WHILE US SHARE HAS BEEN FALLING, AND WE ARE  
CONCERNED THAT A TREND UNFAVORABLE TO US SUPPLIERS MAY BE  
DEVELOPING.

3. FOLLOWING ARE TWO WAYS IN WHICH WE BELIEVE WE CAN BEST  
ASSIST US FIRMS IN CCP INITIATIVE EFFORTS: (A) BY HELPING  
THEM CAPITALIZE ON OPPORTUNITIES TO SUPPLY ISRAEL'S  
EXPORT AND SCIENCE-BASED INDUSTRIES WITH THE KINDS OF  
HIGH-TECHNOLOGY AND HIGH-QUALITY PRODUCTS IN WHICH WE ARE  
MOST COMPETITIVE; AND (B) BY CLOSELY WATCHING AND, TO THE  
EXTENT POSSIBLE, COUNTERING IN COOPERATION WITH THE GOI  
TARIFF DISADVANTAGES TO OUR SUPPLIERS RESULTING FROM THE  
EC-ISRAEL TRADE AGREEMENT.

4. THE FOLLOWING COMMENTS RELATE TO POST'S PRELIMINARY  
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SUGGESTIONS FOR FY '79 CCP (REFAIR) AND OUR SUBSEQUENT  
EXCHANGES OF MESSAGES REGARDING FY 79 TRADE PROMOTION  
EVENT SCHEDULE. (A) CAMPAIGN NO. 1 (FPP/AGRIBUSINESS  
EQT)--ALTHOUGH THIS TYPE EQUIPMENT IS NOT LISTED IN BEST  
PROSPECTS REPORT, WE AGREE THAT SPECIAL EFFORTS SHOULD BE  
MADE TO ASSIST US SUPPLIERS SELL TO ISRAEL'S IMPORTANT  
EXPORT-ORIENTED FOOD INDUSTRY. (B) CAMPAIGNS 2 (ELECTRO-  
NICS) AND 3 (COMPUTERS) CORRESPOND WELL TO BEST PROSPECTS  
REPORT AND THESE PRODUCT CATEGORIES WOULD APPEAR BE  
PRIME PROSPECTS FOR TRADE EVENT SCHEDULING WHETHER AS  
THEMES FOR TECHNOLOGY '79, SPIN-OFFS OR MINI-SHOWS.  
(C) WE ARE NOT SURE THAT CHEMICAL PROCESSING EQUIPMENT  
AND PROCESS CONTROL INSTRUMENTATION WOULD BE THE MOST  
PROMISING SUBJECTS FOR CAMPAIGNS 4 AND 5. NEITHER OF  
THESE PRODUCT CATEGORIES APPEARS ON LATEST BEST PROSPECTS  
REPORT NOR, TO OUR KNOWLEDGE, IS CURRENTLY UNDER  
CONSIDERATION FOR A SPECIAL TRADE PROMOTION EVENT. ON  
OTHER HAND, BOTH CATEGORIES APPEARED ON EMBASSY'S BEST  
PROSPECTS LIST OF DECEMBER 1976 AND A FULL-BLOWN CONTRACT  
PROCESS CONTROLS STUDY IS DUE IN COMMERCE BY JANUARY 20.  
DEPENDING ON OUTCOME OF STUDY, THIS CATEGORY COULD BE  
CANDIDATE FOR TECHNOLOGY '79 THEME OR OTHER TRADE PROMO-

TION EVENT. AS ALTERNATIVE CAMPAIGNS POST MAY WISH CONSIDER "ENGINES AND MECHANICAL POWER" AND "METAL-WORKING EQUIPMENT." THESE CATEGORIES NOT ONLY FIGURE IN BEST PROSPECTS REPORT BUT ALSO RELATE TO TRADE EVENTS PLANNED FOR FY 79 (MACHINE TOOLS V/CE) AND ELECTRICAL

ENERGY SYSTEMS SPIN-OFF TRADE MISSION). WE CONCUR WITH YOUR CAMPAIGN JUSTIFICATIONS. WE BELIEVE SETTING OF CAMPAIGN OBJECTIVES FOR EACH CAMPAIGN EQUALLY IMPORTANT IN THAT CONCRETE, OPERATIONALLY MEANINGFUL GOALS, FROM WHICH ACTIONS LOGICALLY FLOW, CONSTITUTE PRIMARY BASIS FOR CCAG PROMOTIONAL APPROACH AND FACILITATE SUBSEQUENT ASSESSMENT OF EFFECTIVENESS. (D) ACTIVITY NO. 1 (IN-STORE PROMOTION) OF "OTHER SPECIAL POST EFFORTS" (OSPES)  
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WILL HAVE TO BE OMITTED OR AMENDED SINCE FUNDING FOR IN-STORE PROMOTIONS WILL TERMINATE AS OF END OF FY 78. HOWEVER, COMMERCE IS INTERESTED IN CONTINUING TO WORK WITH STORES IN IDENTIFYING US MANUFACTURERS FOR AMERICAN PROMOTIONS, INTRODUCING BUYERS TO US SUPPLIERS, AND HELPING LOCATE CENTERPIECES OR ATTRACTIONS. WE CONCUR WITH ACTIVITIES 2 THROUGH 4 OF THE OSPES. WE CAN ONLY APPLAUD POST'S SUCCESS IN IMPROVING BOTH THE COMMERCIAL LIBRARY (OSPE D) AND COMMERCIAL NEWSLETTER (OSPE 3) AND AGREE THAT FURTHER SPECIAL EFFORTS IN THESE AREAS WILL PROVE WELL WORTHWHILE. SHOULD POST ACQUIRE VTR TAPE FACILITY FOR LIBRARY, WE WILL ENDEAVOR TO DETERMINE AVAILABILITY DURING YEAR OF SUITABLE USDOC PRODUCED/ CONTRACTED VTR/CATALOG PRESENTATIONS (WITHOUT INDUSTRY TECHNICAL REP) FOR "FOLLOW-ON" USE. WOULD ALSO SUGGEST REVIEW WITH PAO OF TAPES WHICH USIA WILL IN FACT BE ABLE TO PROVIDE DURING OPERATING YEAR. WE ANTICIPATE THAT POST'S COUNTRY MARKET SURVEY WORKLOAD (OSPE 4) WILL HOLD AT APPROXIMATELY SAME LEVEL IN FY 79 AS FY 78 BUT CANNOT AS YET DESIGNATE PRODUCT THEMES. (E) IN LINE WITH REMARKS IN PARAS 2 AND 3 ABOVE CONCERNING EC-ISRAEL TRADE AGREEMENT, WE SUGGEST ADDITION OF FOLLOWING HIGH-PRIORITY OSPE: "THE EMBASSY WILL MONITOR AND REPORT SIGNIFICANT DEVELOPMENTS CONCERNING THE TRADE AGREEMENT BETWEEN THE EUROPEAN COMMUNITY AND ISRAEL, WITH PARTICULAR ATTENTION TO POSSIBLE CONSEQUENCES FOR REVISION OF 1975 U.S.-ISRAELI UNDERSTANDING ON EC TARIFF PREFERENCES AND ISRAELI ELIGIBILITY FOR THE U.S. GENERALIZED SYSTEM OF PREFERENCES (GSP)."

5. WOULD WELCOME ANY QUESTIONS OR OBSERVATIONS REGARDING FOREGOING SHOULD MISSION FIND IT DESIRABLE TO DO SO PRIOR TO SUBMISSION OF ITS FINAL CCP DRAFT CONTRIBUTION.  
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## Message Attributes

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